



## INSTRUCTIONS

### NAME AND TAXPAYER IDENTIFICATION NUMBER-Page 1

Enter the taxpayer's name and taxpayer identification number [Social Security Number (SSN), Federal Employer Identification Number (FEIN), or Department Identification Number (DIN)] in the spaces provided.

For the purpose of administering any state tax as allowed under 42 U.S.C Section 405, the Commissioner of the Department of Revenue Administration is authorized to require the submission of an SSN, a FEIN, or any other identifying number used in filing or preparing federal tax returns by individuals, businesses, or return preparers. (See RSA 21-J:27-a; N.H. Code of Admin. Rules, Rev 2903.02 (c); and 42 USCS sec. 405 (c) (2) (C) (i)). Where SSNs or FEINs are required, taxpayers who have been issued a DIN must use their DIN only, and not their SSN or FEIN.

Enter the beginning and ending dates of the taxable period if different from the calendar year.

**NOTE:** Spouses may NOT combine net results of separately held business organizations; separately owned businesses must file separate a NH-1040. **Jointly owned property is reported on the same NH-1040.** Limited Liability Companies owned by individuals and reported on their Federal Form 1040 must file a separate NH-1040. All applicable federal forms, including but not limited to Schedules C, D, E, F, 4835, 4797, or 6252, as applicable, must be attached.

### CALCULATE YOUR TAX-Page 1 and 2

ROUND EVERY ENTRY TO THE NEAREST WHOLE DOLLAR (IF 49 CENTS OR LESS ROUND DOWN, IF 50 CENTS OR MORE ROUND UP). **REPORT NEGATIVE AMOUNTS USING A MINUS SIGN.**

The following describes items of income and deductions reported on Federal Form 1040 and how these items should be reported on Form NH-1040

**1040 BUSINESS ACTIVITY NOT REGISTERED AS AN SINGLE MEMBER LIMITED LIABILITY COMPANY (SMLLC)  
OR  
SINGLE MEMBER LIMITED LIABILITY COMPANY (SMLLC) filing as a proprietorship**

The total net profit or loss from all business activities owned by an individual, or jointly owned with a spouse, reported on, but not limited to Federal Form 1040; Schedules B, C, D, E, F, and Forms 4835, 4797, and 6252 that relate to a proprietorship conducting business activity as a business, profession, rental, or farm including any gain or loss derived from the sale of assets held or used in the business activity.

LINE 1(a) Report the net profit or loss from Federal Schedule C, Line 31 before application of excess farm loss rules, the at-risk rules, and passive activity loss rules. If the Federal Form 1040 is a joint return and there is more than one Schedule C on the Federal Form 1040, report only the Schedule Cs that are attributable to the same individual. A separate Form NH-1040 must be filed if the spouse operates a different business.

LINE 1(b) Report the net rental profit or loss from Federal Schedule E, Line 21. If the Federal Form 1040 is a joint return and the property is jointly owned, report as a single business activity. Separately owned property must be reported on a NH-BPT by the owner of the property.

LINE 1(c) Report the net farm rental profit or loss Federal Form 4835, Line 32.

LINE 1(d) Report the net farm profit or loss Federal Schedule F, Line 34.

LINE 1(e) Report the net gain or loss from the sale of business assets, Federal Form 4797, Line 2(g), 3, 5, 10(g), 14, 16 and 30.

LINE 1(f) Report the net gain from sale of investment assets, Federal Schedule D, Lines 1(h), 2(h), 3(h), 8(h), 9(h) and 10(h). These are gains on assets not used in a business activity, but are investments of the business organization as defined by New Hampshire Business Profits Tax Statute 77-A:1.

LINE 1(g) Report the installment sale income from the sale of business assets recognized during the period, Federal Form 6252, Line 24. Report this amount even if the business organization has ceased conducting business.

Taxpayers who are reporting the sale of business assets on the installment basis for federal tax purposes must also use the installment method on Form NH-1040. Under certain conditions, an election can be made by using Form DP-95 to report the entire gain in the year of sale. Form DP-95 may be obtained by calling the Forms Line at (603) 230-5001 or from the Department website at: [www.revenue.nh.gov/](http://www.revenue.nh.gov/).

Taxpayers who have sold business or rental property on the installment basis will be considered a business organization until all the installments have been reported and the total tax paid. You MUST file a return every year, regardless of the amount of installments, if the actual sales price exceeded \$50,000 for taxable periods ending on or after July 1, 1993.



**INSTRUCTIONS - continued**

LINE 1(h) Report other net business income not reported above attributable to this business organization as adjusted accordingly from Federal Form 1040, Schedule B. (attach schedule).

LINE 1(i) Report other business income attributable to this business organization as adjusted according to Federal Form 1040, Line 21.

LINE 1(j) Subtotal Lines 1(a) through 1(i).

**Lines 2(a) through 2(g) are adjustments necessary to increase or decrease gross business profits to reflect the Internal Revenue Code (IRC) of 1986 in effect on December 31, 2000.**

Every business organization which commences business after December 31, 2000, or has been in New Hampshire prior to December 31, 2000 and has availed their business of federal changes after December 31, 2000, must account for the differences between the IRC in place on December 31, 2000 and the changes made to that Code by Congress from January 1, 2001 to the end date of this tax period except for IRC §179 Deduction. The adjustments on lines 2(a) through 2(g) reflect the adjustments that are necessary to account for the changes. If a taxpayer seeks to report a necessary adjustment that has not been delineated in other sections of Line 2, attach an explanation for either line 2(c) or 2(e).

The statutory requirement to follow the December 31, 2000 IRC has significant impact on the tax basis of assets used in businesses operating within New Hampshire, and also within and without New Hampshire. A separate accounting of the New Hampshire tax basis must be maintained for depreciation purposes and for determination of the gain or loss in the event of the sale of business assets. The Department website "Businesses" tab has links to IRS publications for business deductions, depreciation, and basis of assets as determined on December 31, 2000 to aid in the preparation of the Business Profits Tax return.

LINE 2(a) Add the amount of IRC §179 expense taken on the Federal Return in excess of \$25,000 for assets placed in service on or after January 1, 2012, but not more than the federal taxable income for any year a IRC §179 deduction is taken including carryover amounts deducted this taxable period. If no IRC §179 expense was taken on Lines 1(a) through 1(i), enter zero.

LINE 2(b) Add the amount of bonus depreciation taken on the Federal Return for assets placed in service this year. Bonus depreciation, allowed federally under IRC §168(k), is not allowed on the NH-BPT return.

LINE 2(c) Add any other deductions taken on the Federal Return that need to be eliminated or adjusted due to revisions to the IRC in effect on December 31, 2000.

LINE 2(d) Deduct additional depreciation related to IRC §179 and bonus depreciation not allowed for this tax year or for prior tax years. Because there may be a basis difference due to the federal and state treatment of IRC §179 expense, and bonus depreciation, the regular depreciation allowed under IRC §167 and IRC §168 may be different than that deducted on the Federal Return; recalculate your allowable depreciation and deduct the difference on this line.

LINE 2(e) Deduct any other items included on the Federal Return that need to be eliminated or adjusted due to revisions to the IRC in effect on December 31, 2000. If IRC §179 expense is taken on the Federal Return and not deducted on Lines 1(a) through 1(i) of this Form, you may take the deduction on this Line up to \$25,000.

LINE 2(f) Increase or decrease the net gain or loss on the sale of assets used in the business which have a different state adjusted basis from the tax adjusted basis reported on the Federal Return. Because there may be a basis difference to the federal and state treatment of IRC §179 expense, and bonus depreciation, the regular depreciation allowed pursuant to IRC §167 and IRC §168 may be different than that deducted on the Federal Return. This may create a different adjusted basis to assets used in the business which have not been completely depreciated and thus a different gain or loss for state reporting than that reported on the Federal Return on the sale of business assets. Recalculate the gain or loss and enter the difference on this line.

LINE 2(g) The sum of Lines 2(a) through 2(c), minus Lines 2(d) and 2(e), adjusted by Line 2(f); if negative result, use a minus sign.

LINE 3 Subtotal Line 1(j) adjusted by Line 2(g); if negative result, use a minus sign.

LINE 4 Separate entity adjustments to income or expense and attach worksheet. Enter the amounts which arise from the necessity of adjusting Gross Business Profits to accommodate the New Hampshire requirement of separate entity treatment for business organizations.

Line 5 Gross Business Profits (combine Line 3 and Line 4).



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**INSTRUCTIONS - continued**

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LINE 6(a) Deduct interest or dividend income that is subject to taxation under RSA 77. Deduct the amount of the interest and dividends reported on the Interest and Dividends Tax return (Form DP-10) on this line.

LINE 6(b) Deduct interest income resulting from investments in direct United States obligations, net of expenses, on this line.

Federal obligations are exempt from tax by states or their political subdivisions when obligations are issued to secure credit to carry on the necessary functions of government. Exempt U.S. Government interest claimed as a deduction must be reduced by the following expenses if the expenses were claimed as deductions in arriving at your federal taxable income:

- interest on money borrowed to purchase or carry the bonds or securities; and
- ordinary and necessary expenses paid or incurred in connection with producing exempt income.

These expenses may also be added back on Line 6(f), do not add back twice.

LINE 6(c) Deduct reasonable compensation for personal services performed by a proprietor, partner, or member for the business organization. A partnership or proprietorship whose partner(s), or proprietor perform services for the business organization may take a reasonable compensation deduction on the business organization's Business Profits Tax Return for that service. If the compensation deduction exceeds \$75,000, then the business organization must maintain business records to demonstrate that the deduction is reasonable.

If a business organization was unable to take a reasonable compensation deduction in a prior year(s) due to insufficient business profits, the business organization may adjust this year's compensation deduction to reflect the under-compensation in the prior year(s). However, the business organization must maintain records sufficient to demonstrate that intention.

The amount of the deduction cannot reduce taxable business profits to less than zero.

Reasonable compensation may also include an amount up to 15% of the gross selling price of a business asset. This amount must represent a commission attributable to the efforts of a partner or proprietor to sell that asset.

LINE 6(d) Add income taxes, franchise taxes, or capital stock taxes taken as deductions on the Federal Return for any state or political subdivision, or foreign taxes based on or measured by net income.

The Business Enterprise Tax (BET) is not based on or measured by net income and is not added back. Business Profits Tax (BPT) is based on net income and must be added back if a deduction for BPT has been taken on your Federal Return.

LINE 6(e) Deduct wage adjustment required by IRC §280C. Deduct the wages or salaries paid or incurred for the taxable year which is equal to the sum of the credits determined for the taxable year under IRC §45A(a), §51(a), §1396(a), §1400P(b), and §1400R.

LINE 6(f) Add expenses related to constitutionally exempt income. Expenses that are incurred to produce income that is constitutionally exempt from taxation in New Hampshire must be added back to gross business profits. These expenses include such items as interest expense and other expenses incurred to earn interest from investments in direct U.S. obligations. This add back also includes expenses related to the production of non-unitary income not included on this return.

LINE 6(g). A deduction is allowed for the contribution of scientific equipment or apparatus to an educational organization or institute of higher education equal to the sum of the taxpayer's basis in the contributed property plus 50 percent of the unrealized appreciation, or twice the basis of the property, whichever is less.

LINE 6(h) Deduct the allowable net operating loss carry forward from a prior year on this line. Use Form DP-132 to calculate this deduction.

The Net Operating Loss Deduction (NOLD) must be apportioned to determine the amount of the carry forward based on the apportionment determined on the Form DP-80. Form DP-132 must be attached for this deduction. You must report the NOLD available and the amount of NOLD to be carried forward.

LINE 6(i) Add Qualified Investment Company ("QIC") holder's proportional share of QIC profits on this line. A business organization which holds an interest in a QIC must add to gross business profits its share of the QIC profits for the year, losses are not deducted. If the QIC makes a distribution, do not include the distribution in gross business profits of the interest holder.

LINE 6(j) Net Lines 6(a) through 6(i).



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**INSTRUCTIONS - continued**

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LINE 7 Adjusted Gross Business Profits  
Combine Lines 5 and 6(j).

**LINE 8 NEW HAMPSHIRE APPORTIONMENT**

Business organizations which have business activity, including rental activity, both inside and outside this state AND which are subject to income taxes (or a franchise tax measured by net income) in another state or are subject to the jurisdiction of another state to impose a net income tax or capital stock tax upon it, whether or not actually imposed by the other state, must apportion gross business profits to New Hampshire by using Form DP-80, Apportionment of Income. Form DP-80 may be obtained from the Department's website at [www.revenue.nh.gov/](http://www.revenue.nh.gov/) or by calling the Forms Line at (603) 230-5001. After completing Form DP-80, enter the apportionment to six decimal places on Line 8. **All others enter 1.00 on Line 8.**

LINE 9  
Enter the product of Line 7 multiplied by Line 8. If negative, enter zero.

LINE 10  
Enter the product of Line 9 multiplied by 8.5%.

**CALCULATE YOUR CREDITS**

**LINE 11 CREDITS**

LINE 11(a) If you have paid the BET in this year, or have carry over BET credits from the prior 5 years and have no other credits, enter the BET credit here.

LINE 11(b) If you have credits in addition to the BET credit enter the total credits available on this line. (Attach Form DP-160; only available to those entities that have more than one credit available).

LINE 12 New Hampshire Business Profits Tax Net of Statutory Credits (Line 10 minus Line 11(a) or Line 11(b)). The amount cannot be less than zero.

Enter the amount from Line 12 on Line 1(b) of the NH BT- Summary Form.

**THIS RETURN MUST BE FILED WITH THE BT-SUMMARY AND ALL APPLICABLE FEDERAL SCHEDULES.**